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Supreme Court of the United States

OCTOBER TERM, 1942.

No. 859

SPERRY PRODUCTS, INC.,

Petitioner,

vs.

ASSOCIATION OF AMERICAN RAILROADS and BOSTON & MAINE RAILROAD, THE DELAWARE & HUDSON RAILROAD CORPORATION, ERIE RAILROAD COMPANY, THE LONG ISLAND RAIL ROAD COMPANY, THE NEW YORK CENTRAL RAILROAD COMPANY, F. E. WILLIAMSON, Director of Association of American Railroads and President of The New York Central Railroad Company, THE NEW YORK, CHICAGO AND ST. LOUIS RAILROAD COMPANY,

all said corporations and the director being sued individually and as representatives of defendant Association and of its members.

Respondents.

PETITION FOR WRIT OF CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT, AND BRIEF IN SUPPORT THEREOF

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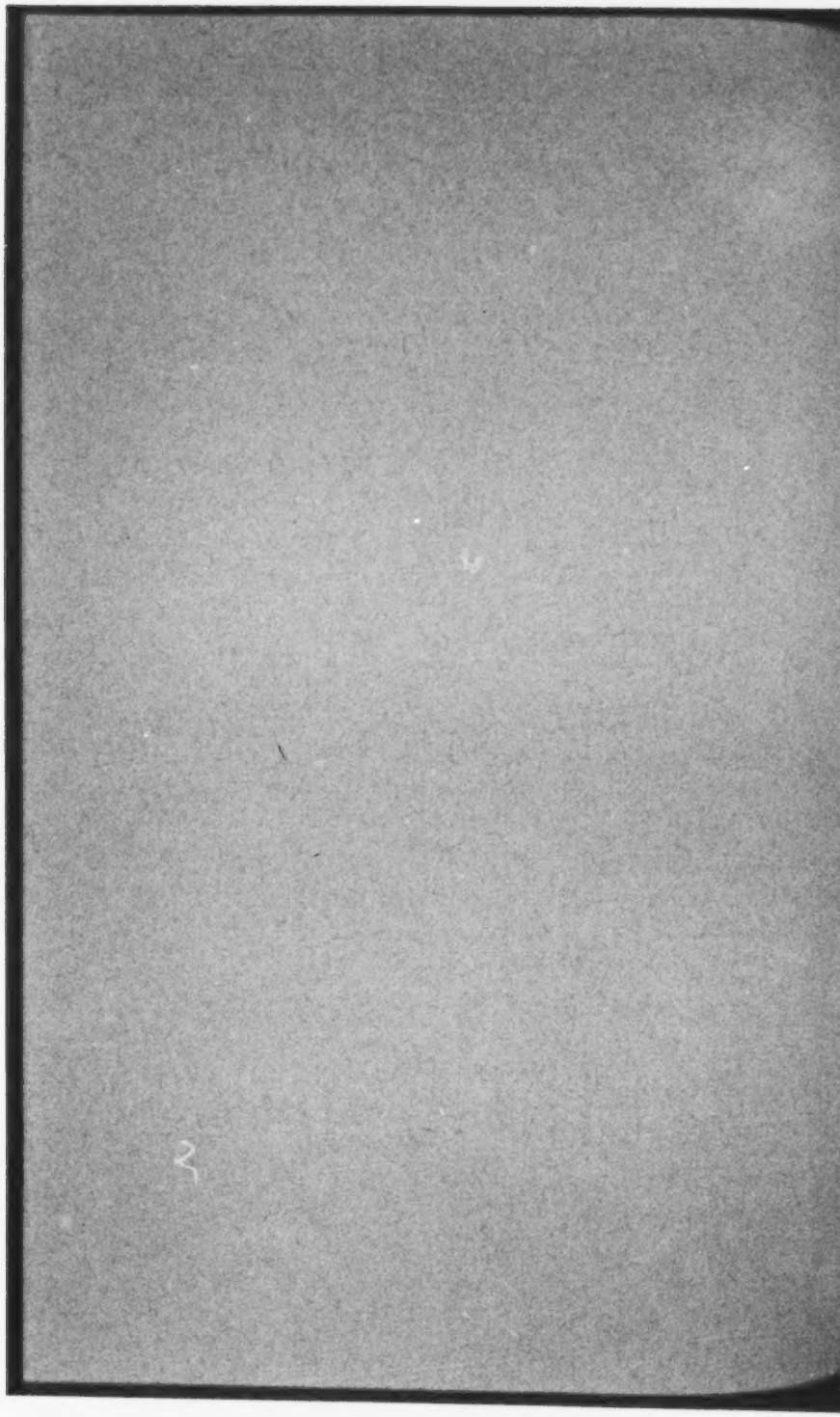
March, 1943.



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OCTOBER TERM, 1942.

SPERRY PRODUCTS, INC.,
Petitioner,

vs.

ASSOCIATION OF AMERICAN RAILROADS, *et al.*,
Respondents.

No.....

PETITION OF SPERRY PRODUCTS, INC. FOR A WRIT OF CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT

To the Honorable, the Chief Justice and Associate Justices of the Supreme Court of the United States:

Your petitioner, Sperry Products, Inc., respectfully prays that a writ of certiorari be issued to the United States Circuit Court of Appeals for the Second Circuit, to review a judgment of that Court, entered December 31, 1942, majority and dissenting opinions reported, *Sperry* v. *Association, et al.,* 132 F. 2d. 408 (R. 59). A transcript of the record in the case, including the proceedings in said Circuit Court of Appeals, is furnished herewith in accordance with the rules of this Court.

SUMMARY AND SHORT STATEMENT OF THE MATTER INVOLVED

The two questions presented relate to the liability to suit for patent infringement of an unincorporated association having members residing in more than one district of

the federal judicial system, and of its members as a class. Specifically:

1. Is such an association suable under the patent venue statute, Judicial Code, Sec. 48, 28 U. S. C. A. 109? (A suit against such an association as "an inhabitant", under the general venue statute, Judicial Code, Sec. 51, 28 U. S. C. A. 112, footnote, p. 5, would present the same question.)

2. Can the members of such an association be sued in a "class action", when there is venue of one member and a director of the association?

In the present case, the usual complaint in a patent infringement suit (R. 3, *et seq.*) was filed in the district court of the southern district of New York by petitioner, as owner of the patent, against Association of American Railroads, Boston & Maine Railroad, The Delaware & Hudson Railroad Corporation, Erie Railroad Company, The Long Island Rail Road Company, The New York Central Railroad Company, F. E. Williamson and the New York, Chicago and St. Louis Railroad Company. Motions were filed in behalf of all defendants, on the grounds of improper venue, failure to state a cause of action, etc. The Long Island and Williamson, who was a director and member of the executive committee of the Association, did not move on the ground of improper venue (R. 15-17), and it is not disputed that they were within the personal jurisdiction of the court. The district court (Judge Conger) dismissed the suit as to all defendants, either on the ground of improper venue, failure to state a cause of action or both.

Petitioner did not appeal as to the Erie, having consented to its dismissal without prejudice (R. 43, 52), or as to the Boston & Maine, Delaware & Hudson, New York

Central, and New York, Chicago & St. Louis Railroads, because they had been sued on the authority of *Melvin Lloyd* v. *Stonite,* 3 Cir., 119 F. 2d 883, which this Court reversed, *Stonite* v. *Melvin Lloyd,* 315 U. S. 561, after the decision of the district court in the present case. Thus the appeal to the circuit court of appeals presented questions with respect to only the Association, the Long Island and Williamson.

The district Court held that the Association could not be sued in any district as "an inhabitant", because all its members did not reside in one district, saying that this was "rather a harsh rule" (R. 46),* that a class suit did not lie against the members of the Association because a class action did not lie "to enforce a federal substantive right" (R. 47), and that no cause of action was stated against the Long Island and Williamson (R. 50). The circuit court of appeals (per circuit judge Learned Hand, circuit judge Chase concurring) decided that the Association could be sued in the district of its principal place of business (R. 63; 132 F. 2d 408), circuit judge Frank, however, expressing the opinion that the Association was suable in any district where it had "a principal place of business" (R. 65), and the court held that a class action did not lie against the members. The circuit court also reversed as to the Long Island but affirmed as to Williamson.

The Association is "an unincorporated, voluntary association of about two hundred railroad companies", located in Canada and "more than two-thirds of the states of the United States" (complaint, R. 3). There is a president, vice presidents, other officers and directors, and its "principal" offices are in Washington with other offices in New

*Columbia Law Review, September, 1932, p. 1211, comments on this decision.

York and Chicago (Association plan of organization and booklet, R. 70, 74).

The patent in suit relates to a railroad car equipped as described in the patent for detecting defects or flaws in railroad rails. The Association itself owns and uses for this purpose a car which is alleged to infringe the patent (R. 30, 37; Association organization and activities booklet R. 82).

Suit for alleged patent infringement was first brought against the Association by petitioner, in the district court for the district of Columbia. The Association moved to dismiss the suit on the ground that it was not "a legal entity inhabitant of the District of Columbia, as distinguished from its members, *none* of whom is an inhabitant of the District of Columbia and all of whom are beyond the jurisdiction of the court under section 48 of the Judicial Code, 28 U. S. C. A. 109" (R. 32). Petitioner then filed a notice of voluntary dismissal (R. 31, 32), and brought the present suit in the southern district of New York, where a member of the Association admittedly is an inhabitant (the Long Island railroad—the only member inhabitant), a director (Williamson) of the Association, was resident, and the Association had a large and important office, occupying four floors and part of two other floors in a large office building, with many sections or divisions (R. 30). However, the Association has not infringed in the southern district of New York, so far as the record shows.

Section 48 of the Judicial Code is as follows:

> "*Patent Cases.* In suits brought for the infringement of letters patent the district courts of the United States shall have jurisdiction, in law or in equity, in the district of which the defendant is

an *inhabitant,* or in any district in which the defendant, whether a person, partnership, or corporation, shall have committed acts of infringement and have a regular and established place of business. If such suit is brought in a district of which the defendant is not an inhabitant, but in which such defendant has a regular and established place of business, service of process, summons, or subpoena upon the defendant may be made by service upon the agent or agents engaged in conducting such business in the district in which suit is brought" (28 U. S. C. A. 109).

It will be observed that under this statute an infringer may be sued either in the district of which he is "an inhabitant"* or in any district in which he has both infringed and has a regular and established place of business. As there is always some district in which any individual or corporation is an inhabitant, there is always that district where a patent infringement suit may be brought, against either the individual or corporation. An unincorporated association having members inhabiting more than one district should not be in a better position. But such an associa-

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*Judicial Code, Sec. 51 provides:

* * * "Civil suits; arrests in; district where brought; effective period. (a) Except as provided in sections 113 to 117 of this title, no person shall be arrested in one district for trial in another in any civil action before a district court; and, except as provided in sections 113 to 118 of this title, no civil suit shall be brought in any district court against any person by any original process or proceeding in any other district than that whereof he is *an inhabitant;* but where the jurisdiction is founded only on the fact that the action is between citizens of different States, suit shall be brought only in the district of the residence of either the plaintiff or the defendant. * * *" (28 U. S. C. A. 112).

tion would be wholly free from liability, if it did not infringe in the same district in which it had a regular and established place of business, unless it can be sued somewhere as "an inhabitant". In the present case, the Association owns and operates a railroad car alleged to infringe, and if it operates the car only in those states in which it does not have such a place of business, it could not be sued, unless it is "an inhabitant" of some district.

Congress never intended to exempt associations in such manner, thus privileging them over individuals and corporations.

The opinion of the second circuit court of appeals was that the Association was suable in the district where it had its principal place of business, circuit judge Frank dissenting as he thought the Association was suable in any district where it had any principal place of business.

The difficulty with the circuit court of appeals' opinion is the practical one of determining what is the principal place of business of an unincorporated association, for purpose of venue in a patent infringement suit. Is it the place where the association does the most business or the most infringing business, where it has the most employees, the most property or the largest bank deposits, pays the most taxes, where most of its officers or members reside, etc., etc.? A patent owner would rarely know, except after long and expensive litigation, whether the suit was brought in the right court. The members of the Association did not take advantage of incorporation to avoid personal liability, but the circuit court of appeals decision gives them the benefit of being sued in only the principal place of business, as if they had been incorporated. On the other hand, a corporation under *Neirbo* v. *Bethlehem*, 308 U. S.

165, can be sued in any state where it has waived venue, as by qualifying to do business. The dec' ion below did not follow the principle of the *Neirbo* case, and allow the Association to be sued in the Southern District of New York, where it had a large and important place of business, although the *Neirbo* doctrine applies to patent infringement suits.

Petitioner urges that the district court had jurisdiction of the Association, because it had a principal place of business in the southern district of New York, and a member, the Long Island, was resident there, as well as a director and member of the executive committee of the Association, Williamson, and that, in the alternative, the district court had jurisdiction of the members of the Association in a class action. Petitioner prays that this Court grant the writ and so decide.

STATEMENT OF THE BASIS FOR JURISDICTION

The jurisdiction of the Court is invoked under Section 240 of the Judicial Code, as amended February 13, 1925, c. 229 (28 U. S. C. A. 347) to review a judgment of the Circuit Court of Appeals for the Second Circuit entered December 31, 1942, (R. 65).

QUESTIONS INVOLVED

The two questions presented are of federal law, they are apparently novel, and they are of great public importance and interest, because unincorporated associations having members in more than one district are increasingly numerous as well as important in the conduct of business.

It should be authoritatively decided what is the venue of such an association and its members.

REASONS RELIED UPON FOR THE GRANT OF A WRIT OF CERTIORARI

The discretionary power of this Court is invoked upon the following grounds:

1. Because an unincorporated association having members in more than one district of the federal judicial system should be suable as "an inhabitant", under the patent venue statute, Judicial Code, Sec. 48, in any district in which it has one of its several principal places of business.

2. Because such an association, having members in more than one district of the federal judicial system, should be suable as "an inhabitant" in any district in which it has a member and one of its several principal places of business.

3. Because such an association, having members in more than one district of the federal judicial system, should be suable as "an inhabitant" in any district in which it has a member.

4. Because such an association, having members in more than one district of the federal judicial system, should be suable an "an inhabitant" in any district in which all of the members who there reside are joined as parties.

5. Because either an individual or a corporation is liable to suit for patent infringement in some district as

"an inhabitant", and such an association does not have greater rights.

6. Because such an association should not be able to infringe patents with impunity, by committing infringing acts only in districts in which it does not have "a regular and established place of business".

7. Because the members of such an association should be liable in "a class action", in which are joined, as representatives, each of such members who is "an inhabitant" of the district of suit, unless the association is itself liable as "an inhabitant" of such district.

8. Because the members of such an association should be liable in "a class action", in which are joined, as representatives, each of such members and each director and member of the executive committee who are residents of the district of suit, unless the association is itself liable as "an inhabitant" of such district.

Wherefore, your petitioner respectfully prays that a writ of certiorari issue to the United States Circuit Court of Appeals for the Second Judicial Circuit, commanding said Court to certify and send to this Court on a date to be designated, a full and complete transcript of the record and all proceedings of the Circuit Court of Appeals had in this cause, to the end that this cause may be reviewed and determined by this Court as to the question herein presented, and that the judgment of the Circuit Court of Ap-

peals be reversed; and that petitioner may be granted such other and further relief as may seem proper.

Respectfully submitted,

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New York, March, 1943.